

**Testimony of William J. Lyons**  
**Secretary, California Department of Food and Agriculture**  
**Before the House Livestock and Horticulture Subcommittee**  
**Committee on Agriculture**  
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Chairman Pombo and Members of the Subcommittee, I thank you for holding this important hearing and for the opportunity to appear before you.

Shortly after Californians elected Gray Davis the State's 37<sup>th</sup> Governor, he asked me to serve as the Secretary of the California Department of Food and Agriculture. Prior to then, my family and I operated a diversified farming operation centered in the heart of California's Great Central Valley. This experience has given me a firsthand understanding of the challenges that face our family farmers. As head of CDFA, I have gained experience in the challenges that state governments face to protect and promote agriculture. I am proud of my Department's 3200 employees who work hard to ensure that quality food reaches the consumer, that exotic pests and diseases are detected and eradicated, and that there is an equitable marketplace for California's agricultural products. Today, I would like to describe California's fruit and vegetable community, its current economic situation, and the critical issues it faces.

**I. California Fruit and Vegetable Industry**

The history of the California fruit and vegetable industry is a history of the state. Early farmers transformed exotic luxury items, such as citrus, almonds, and walnuts, into American staples. In the process, these farmers sold not only their crops but also promoted the state itself. Generations of Californians came to the state enticed by the

attractive scenes on packing crates and the promise of long growing seasons and rich soil. Today, California leads the nation in the production of 79 commodities and produces 50 percent of the nation's fruits and vegetables.

Like so much of the farm economy, the fruit and vegetable industry faces low prices and declining markets. While some commodities are faring better than others, agricultural property values have declined throughout California and the effects of the drastic consolidation of processing facilities are still having an impact on the economy of the Central Valley. As this subcommittee knows better than anyone, these are tough times for agriculture.

In addition, California's farmers and ranchers, like all of our citizens, struggle with enormous energy costs. Rates for electricity for farming operations are up 30 percent and diesel prices are soaring. Through our new fast track approval process, the State recently has licensed 16 new power plants, the first one just four months after Governor Davis took office. Ten plants are currently under construction and four will be online this summer. Meanwhile, though California leads the nation in electricity conservation, our farmers -- like citizens throughout the western states -- face huge energy prices.

## **II. Flexible Policies for Diversified Agriculture**

With this background, let me turn to the policy issues facing the fruit and vegetable industry. I have been working with the NFACT and the National Association of State Departments of Agriculture to assist in your efforts to craft a new farm bill and to help all

America's farmers and ranchers meet the many present and future challenges facing production agriculture.

In 1999, the heads of agricultural departments in New Mexico, Florida, Arizona, California, and Texas formed an organization to advocate positions that benefited our states. All of these border states have significant fruit and vegetable production, which was a motivating factor in our forming this coalition. "NFACT" has coalesced into an organization known for its strong stance on issues such as animal and plant health, food safety, conservation, international and domestic marketing, research and risk management.

As we headed into the farm bill process, NFACT states held public hearings for producers to express their concerns about the future of agriculture. In California, we held 10 hearings and are in the process of reviewing the comments from those hearings. As you know, producers are looking at whether or not their future remains with the land.

California's agriculture is marked by its diversity, and by our farmers' willingness to grow for the market and to meet the changing tastes of consumers. Five years ago, we did not even track production of cilantro because it was insignificant; last year, this crop brought \$17 million to California producers. Throughout this country, farmers are switching from growing a commodity to growing a product for a specified market. As important as this is for domestic markets, it is critical to winning international customers. For example, California now produces more cherries for the Japanese market than for the

domestic market and is also filling a niche market in Japan for high quality short-grained rice.

A farm, like any business, must have the ability to anticipate the needs of its customers and the demands of the market. Government policies that provide farmers with the tools to help themselves will empower farmers to succeed in the marketplace. Consumers have shown they will pay a premium for items that meet a particular desire and farmers who satisfy this niche may capture that additional revenue. This entrepreneurial spirit, long a tradition in California, is increasingly part of agriculture nationwide.

Farm policy may either foster this dynamic, market-oriented approach, or stifle its growth by clinging to policies that no longer assist farmers. The next farm bill must account for – and encourage – a diversity that accommodates all agriculture. As an example, many of the existing conservation programs do not address the needs of California’s agriculture. Often the payment levels do not reflect the cost-of-living or land values in this state and the requirements appear to be drafted based on farming methods inconsistent with California agriculture. The next farm bill must provide assistance in marketing, creation of a level playing field for international competition, better access to conservation programs, tools to manage risk, and other market-based programs that will empower producers. Many important recommendations to accomplish this are included in NASDA’s farm bill policy, which I recommend to you.

### **III. Critical Issues**

#### **a. Pests and Disease Issues**

Without diminishing the many issues facing the specialty crops, I wish to highlight two critical struggles: One is the continuing threat from exotic pests and diseases and two, is the competition from foreign growers benefiting from enormous export subsidies.

The agricultural industry remains at peril for pests and diseases that may wipe out entire agricultural operations. This subcommittee recognized early that Pierce's disease threatens California's wine industry, as well as other commodities. In the last year, we've built a model program involving federal, state, local, and industry stakeholders, all of whom contribute to the effort.

The California grape industry has long coped with Pierce's disease. In the 1880's, the disease destroyed 40,000 acres of grapes around Anaheim. Significantly, a new vector transformed this century-old problem into a multi-billion-dollar threat to California's agriculture. The glassy-winged sharpshooter was detected in California in the early 1990's--most likely arriving on plants transported from an infested area. This insect is known to feed on hundreds of species of plants, using its needle-like mouth to tap into the water-conducting tissues of a plant. In addition to its mobility and its varied food sources, it is an especially dangerous vector because of its sheer thirst: equal to, in relative terms, a 150-pound human drinking 4,300 gallons of water a day. The combination of the sharpshooter and Pierce's disease has been likened to matches and gasoline. Our task is to keep them apart while we research long-term solutions.

Pierce's disease reminds us that prevention of the spread of pests and diseases is far cheaper than the enormous cost of controlling a pest or disease and the damage they inflict to both agriculture and the economy in general.

As you know, California is a hub of international trade and travel. This is of immense economic benefit to the state and we support the continued expansion of markets and the flow of goods and of people. However, it also exposes the state and the nation to increased risk from exotic pests and diseases. Protecting the nation from this risk is a fundamental role for government and it is an issue primarily of resources: Congress needs to appropriate adequate funds to protect American agriculture.

I wish to acknowledge this subcommittee's leadership in passing the Plant Protection Act. While I understand that appropriations are different from the issues debated in a farm bill, I ask you to continue to address the issue of adequately funding our safeguards and look for innovative methods of financing prevention and eradication efforts. We look forward to the upcoming expiration of the restriction on the use of AQI user fees and respectfully request that Congress view this as an opportunity to increase funding for this critical safeguard, and not as a chance to move those appropriated dollars to some other account.

I come here as a supporter of trade and as an official of a state that exports \$6 billion in agricultural commodities. My comments about pest issues are not designed to erect a

protectionist wall around the state. Rather, with the enormous benefits from bilateral trade, comes a responsibility for increased vigilance to protect our producers from pest and disease threats, such as Medfly and the glassy winged sharpshooter.

b. Trade That is Free and Fair

On the issue of trade, I must raise an issue that is having serious impacts on California's specialty crop industry. Without question, some growing areas enjoy competitive advantages over others. This will always produce winners and losers in a global competitive market. However, when the European Union directs its subsidies toward its fruit and vegetable growers, domestic growers are unfairly disadvantaged, both in foreign markets and at home.

The primary forum to raise such an issue is during the WTO negotiations and I hope Congress in general and this subcommittee in particular will insist that U.S. negotiators take on this topic and come away with solutions. The consequences in California and throughout the country are painful. In our canned peach industry, for example, overproduction and foreign subsidies have eliminated our foreign markets and led to an influx of foreign product in the U.S. that is being sold at give-away prices. Our citrus industry faces unreasonable competition from EU countries that support their industries through a variety of assistance programs, reported by the European Commission to exceed \$750 million.

California is working to strengthen its markets. On June 1<sup>st</sup> of this year, Governor Davis announced he was dedicating \$5 million to create a “Buy California” campaign to promote local products to local consumers. But we cannot undertake this effort alone; we need a combination of trade and market promotion actions at both the state and federal levels,

In my testimony today, I have attempted to raise some of the challenges facing this industry. As leaders, it is our job to protect and promote this nation’s bountiful harvest, in all its diversity. Further, we want family farmers and ranchers to thrive and prosper, not just because they are an important source of economic growth, but also because they represent a way of life. They are a unique and indelible part of our national character.

Again, I thank you for having invited me to testify. At this time, I would be happy to answer any questions you may have.